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Contribution to DCI testimony at 10 December hearing of House Foreign Affairs Committee.

Date uncertain, but probably either 5 or 8 December.

The dynamics in the Persian Gulf indicate we may well be witnessing the initial jockeying for position associated with a post-war, post-Khomeini environment. The struggle for power in Iran involves a real decline in Khomeini's health, an inability by Tehran to achieve meaningful success in the Gulf war, and an economy devastated by collapsed oil prices and Iraqi airstrikes. The struggle is being played out throughout the region as all the players rethink their positions, not only toward Tehran, but toward each other. The fluidity of the situation and multiplicity of factors at play will create substantial opportunities and pitfalls for the United States.

Iran

The final resolution of the domestic struggle is still uncertain, but all clerics will seek to maintain the gains of the revolution and the preservation of the Islamic Republic. Non-clerical entities--leftists, communists, the regular military--probably will not be central players, and our concerns focus on the "radical" and "pragmatist" clerics. These labels are unfortunately misleading, but they are a necessary shorthand that we inevitably will continue to use to describe real differences.

The Community has generally gauged positions on four policy issues to place Iranian officials on the political spectrum. These include:

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- The role of clerics in government. The more radical are stronger advocates of "velayet-e-faqih"--literally the rule of Muslim jurists--and want to see clerics in all important political positions. Islam has traditionally accepted non-clerical political leadership. The more moderate even argue that the religious community should not sully itself with involvement in the dirty business of politics.

- Export of the Revolution. No one in the Iranian leadership says this is a bad idea, but there is a spectrum of advocacy. The more moderate find the slogan a useful means to expand influence among Shia in the Arab and Muslim world -- a national interest Iran would pursue in any case. Some Iranians seek the further establishment of Islamic regimes but would not automatically condone any act of violence or accept consorting with any ally as a means of achieving it. The more radical proponents, however, seek tangible results through violent means. These radicals are especially worrisome to leaders in the neighboring Gulf states that have large Shia populations and non-clerical, monarchical leadership.

- Management of the Iran-Iraq war. The moderates are more attuned to the human costs of the war and its toll on the fabric of Iranian society. They probably would seek to find a way out of the war short of achieving a total victory over Iraq. The war represents Khomeini's personal vendetta against Saddam Husayn, however, and as

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long as his views dominate the political scene (whether he is alive or dead), no cleric--moderate or radical--is likely to abandon the war short of achieving the central demand that Saddam be overthrown.

- Management of the economy. Here, a moderate is one who advocates a freer market, land ownership, and a hands-off government policy. The moderates on the economy have courted what were powerful constituencies under the Shah -- the bazaar merchants and large landowners.

Whether called "moderate", "pragmatic", or some other label, there is in fact a group of senior Iranian leaders who have good reason to move Iranian policy away from the extreme positions of the past, including moving toward a stance of accommodation with the US. Some reasons include:

- A desire to break out of the international isolation in which Iran has found itself since the Revolution.
- A war-weariness and a slow realization that Iran probably cannot win her long and bloody war with Iraq, except at greater cost than she can, or is willing to, pay.
- The need for a counterweight to the ever-present Soviet danger on Iran's northern border, a danger which is deeply felt by an overwhelming majority of Iranians.

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- Iran's desperate economic plight, brought on by falling oil revenues, war damage, international isolation, and internal mismanagement.
- A long term need for Western, specifically American, resupply for Iran's largely US-origin industrial, technological, and military inventory.

There is a constant danger of the terminology becoming confusing because very few Iranian officials line up neatly on the radical or pragmatic ends of the spectrum on every issue. For example, a cleric may oppose the war primarily because he wants resources diverted to the economy, his primary concern, not because he is soft on Iraq. Pragmatists are generally seen as people the US can deal with--fewer pure ideological positions, including hatred of the United States. Yet all Iranians seem to have a streak of "opportunism" which allows for even the most ideologically pure to engage in apparently compromising intrigue. With this in mind, it is not impossible that Khomeini himself could sanction contacts and permit a relationship of sorts with the United States.

Further complicating a tidy characterization of political groupings are some more traditional Middle East factors:

- Alliances ^{may} ~~are~~ ultimately be based more on family and personal connections than political ties.

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- Loyalty is more often bought through a system of patronage than earned through commitment to a political position. The result is that political alignments often shift in unexpected ways and political leaders erratically make and break alliances. This activity tends to cloud ideological positions.
- Virtually no one is willing to publicly oppose Khomeini on any major question of policy.

What has been lacking in our recent analysis is a litmus test for an Iranian's position on a relationship with the US. This is, of course, the key question for the US. In fact, the Intelligence Community largely dispensed with this issue believing--wrongly in retrospect--that there is little meaningful spectrum of views on the issue of relations with the United States, that the Iranian leadership is still monolithic in its opposition to dealing with Washington. This view has obviously proved to be in error.

Contrary to the situation in the US, however, in Iran there have been few negative repercussions^U for those who were involved in the US contacts.

- In the past few weeks, virtually every senior Iranian leader--the President, the Prime Minister, the Speaker of Parliament, and Khomeini's designated successor--has publically addressed the

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questions of contacts with the US. While making more-or-less obligatory statements about the evils of the US, all these officials have specifically left the door open to some form of contact or relationship with Washington.

- Even Khomeini, in a recent speech, slapped down those members of the parliament who wished to open up an acrimonious investigation of those officials who were involved with the US contacts.

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Despite the difficulties of pinning down the detailed views of specific individuals, some conclusions regarding Iranian politics can be drawn:

- While some clerics may not survive the post-Khomeini power struggle, the clerical regime probably will. We will have to deal with the current type of Iranian regime for a long time to come.
- Today's radicals may be tomorrow's moderates, and vice versa--especially once the old man is gone.

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- Despite individual political flip-flops and maneuvering, in a broad sense Iran has moderated since the revolution--ironically, to protect the gains made by the revolution--and this trend is likely to continue, even after Khomeini dies. Tehran has adopted a more conciliatory foreign policy and downplayed terrorism to end its international isolation. It has sought cooperation with the Gulf states in oil policy to improve its economy. And its inability to achieve meaningful successes in the Gulf war has led Tehran to soften its demands.
- Iranian national security policy is shifting away from emotional ideological export of the revolution to the pursuit of more traditional nationalist policies. These policies are aimed more at political domination, not hostile conquest, of existing Gulf regimes, and are cognizant of the Soviet threat and the need for a counterweight.
- Although fundamentalist and archaic, the clerics do not have a "primitive is better" philosophy. They have already demonstrated a desire for advanced US weapons. They are also being gradually drawn to the technology, financial structures, capital markets and trading partners that the West can offer--a trend that will intensify when Iran is faced with the need for massive reconstruction after the war.

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The hardcore radicals, however, will continue to pose a major threat.

- They may actively seek a confrontation with the US in order to once again radicalize Iranian politics to their own benefit in the struggle with the moderates.
- They will make every effort to spoil a rapprochement with the US and damage anyone who seeks to do so.
- They currently control many of the instruments of force--primarily major parts of the Revolutionary Guards--and have clearly shown little hesitancy in using violence to achieve their domestic political goals.

[It may well take six months or more before we can confidently determine whether the policy of dealing with Tehran is a significant success, a "mistake", or a worthwhile attempt that unfortunately did not work.] The internal power struggle in Iran continues to play itself out, and ^{which} will intensify with Khomeini's death. The ultimate value of our policy initiative will be decided by the results of ^{the internal} ~~that~~ power struggle, ^{which} If the radicals lose out, the US will be in a relatively good position to re-establish a relationship in Tehran that will be much to our benefit.

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The Regional Dimension

The US-Iran connection, the struggle in Iran, a potential winding down of the Gulf war, and a very difficult oil market portend a change in the strategic balance of power in the region, a balance which, in a broad sense, now entails a rough equality among the three key players in the Gulf--Iran, Iraq and Saudi Arabia. The trend is probably toward an ultimately more dominant Iran, and the dynamics leading to this involve jockeying for position and a rethinking of policy by regional states, not only toward Iran, but also toward each other.

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Implications for the US

Any substantial change in the status quo in the Persian Gulf offers opportunities and pitfalls for the US:

- A break in the logjam in the Iran-Iraq war could lead to the first steps toward a negotiated settlement--with the US perhaps now in a better position to play a role.

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- , Any increased US role as broker in the region plays to Moscow's disadvantage--and vice versa.
- US security relationships with the Gulf states may undergo change. If the threat of spillover from the war diminishes, it would lessen the immediacy of cooperation with the US. But should Iran grow in strength and Iraq have time to meddle in the Gulf, strong motives for continued cooperation will remain.
- Should post-war Iraq return to a more radical posture, it could cause considerable trouble for the US in the Arab-Israeli arena, terrorism, and Gulf security. Iraqi reconstruction after the war, however, might prompt Iraq to maintain gains it has made with the West and moderate Arabs.
- Any increased US influence in Tehran may serve to moderate Iranian foreign policy and the Gulf states would see any US leverage as useful.

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